

Translation from Arabic

**Sixth of October for Development and Investment Company “SODIC”
(An Egyptian Joint Stock Company)**

**Consolidated Financial Statements
For The Financial Period Ended March 31, 2008**

And Review Report

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Translation from Arabic

Review Report

To The Board of Directors of Sixth of October for Development and Investment Company “SODIC”

We have reviewed the accompanying consolidated financial statements of Sixth of October for Development and Investment Company “SODIC” represented in the consolidated statement of financial position as of March 31, 2008 and the related consolidated statements of income, changes of equity and cash flows for the three – month period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Egyptian Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review on the consolidated financial statements of Sixth of October for Development and Investment Company “SODIC” for the financial period ended March 31, 2008, nothing has come to our attention that causes us to believe that the accompanying financial statements are not fairly presented, in all material respects in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan

Cairo, May 21, 2008

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Statement of Financial Position
As at March 31, 2008

	Note No.	31/3/2008 <u>L.E</u>	31/12/2007 <u>L.E</u>
<u>Long - term assets</u>			
Fixed assets	(6)	13 781 555	12 266 854
Intangible assets	(7)	364 754	380 907
Projects under construction	(8)	23 372 725	21 913 337
Investments in associates	(9)	2 853 088	2 634 064
Available for sale investments	(10)	4 250 000	4 250 000
Investment property	(11)	1 491 447	1 499 103
Trade & notes receivables	(12)	743 416 610	337 558 530
Deferred tax assets	(39-1)	14 674 741	14 527 584
Total long - term assets		804 204 920	395 030 379
<u>Current assets</u>			
Completed residential units ready for sale	(13)	880 078	880 078
Works in process	(14)	1 117 565 068	882 271 651
Trade & notes receivable	(15)	448 911 719	177 349 915
Debtors & other debit balances	(16)	89 063 885	261 327 253
Held for trading investments	(17)	95 850 396	77 670 614
Cash at banks & on hand	(18)	502 078 302	467 252 796
Total current assets		2 254 349 448	1 866 752 307
<u>Current liabilities</u>			
Provisions	(19)	67 684 629	67 886 576
Bank - credit balances		501 073	44 941
Customers - deposits	(20)	844 965 634	119 487 975
Contractors, suppliers & notes payable	(21)	13 133 154	11 536 378
Creditors & other credit balances	(22)	184 105 090	134 245 102
Total current liabilities		1 110 389 580	333 200 972
Working capital		1 143 959 868	1 533 551 335
Total investments		1 948 164 788	1 928 581 714
These investments are financed as follows:			
<u>Equity</u>			
Issued & fully paid in capital	(24)	279 133 960	279 133 960
Legal reserve	(25)	139 566 980	139 566 980
Special reserve - share premium	(26)	917 439 354	917 439 354
Retained earnings		154 040 713	154 040 713
Treasury shares	(27)	(80 000 000)	(80 000 000)
Set aside amount for incentive & bouns plan	(28)	5 000 000	3 750 000
Net profit for year 2007		331 535 035	331 535 035
Net profit for the period		17 472 979	-
Total equity attributable to equity holders of the Company		1 764 189 021	1 745 466 042
Minority interest	(23)	18 884 517	18 814 350
Total equity		1 783 073 538	1 764 280 392
<u>Long-term liabilities</u>			
Notes payable	(29)	165 091 250	164 301 322
Total long-term liabilities		165 091 250	164 301 322
Total equity and long - term liabilities		1 948 164 788	1 928 581 714

* The accompanying notes on pages form (5) to (46) are an integral part of these consolidated financial statements and to be read therewith.

Administrative & financial Manager

Mr. Hany Henery

Managing Director

Mr. Maher Maksoud

Chairman

Mr. Magdy Rasekh

* Review Report " attached "

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Income Statement
For The Financial Period Ended March 31, 2008

	Note <u>No.</u>	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
Net sales	(30)	33 549 000	107 848 696
Cost of sales	(31)	(6 563 253)	(52 738 840)
Gross profit		<u>26 985 747</u>	<u>55 109 856</u>
Other operating revenues	(32)	13 807 950	6 199 831
Selling & marketing expenses	(33)	(8 685 831)	(4 226 459)
General & administrative expenses	(34)	(5 671 936)	(4 625 373)
Board of directors remunerations & allowances	(35)	(7 755 101)	(6 271 454)
Other operating expenses	(36)	(2 253 963)	(409 463)
Operating profit		<u>16 426 866</u>	<u>45 776 938</u>
Finance income	(37)	9 195 154	14 970 236
Finance expenses	(38)	(2 767 922)	(747 283)
Net finance income		<u>6 427 232</u>	<u>14 222 953</u>
Share in profits in associates		219 024	149 034
Net profit for the period before income tax		<u>23 073 122</u>	<u>60 148 925</u>
<u>Deduct</u>			
Current income tax expense		5 677 132	2 138 404
Deferred income tax expense (benefit)	(39-1)	(147 156)	21 704
Net profit for the period after income tax		<u>17 543 146</u>	<u>57 988 817</u>
Net profit for the period attributable to:			
Equity holders of the Company		17 472 979	58 423 556
Minority share in profits (losses) of subsidiaries		70 167	(434 739)
Net profit for the period		<u>17 543 146</u>	<u>57 988 817</u>
Earnings per share (L.E / Share)	(40)	<u>0.63</u>	<u>2.04</u>

* The accompanying notes on pages form (5) to (46) are an integral part of these consolidated financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Statement of Changes in Equity
For The Financial Period Ended March 31, 2008

	Note No.	Issued & paid up capital L.E	Legal reserve L.E	Special reserve- share premium L.E	Treasury shares L.E	Set aside for bonus & incentive plan L.E	Retained earnings (carried forward losses) L.E	Net profit for the year/period L.E	Equity attributable to equity holders of the Company L.E	Minority interest L.E	Total equity L.E
Balance as at January 1, 2007		269 133 960	134 566 980	832 439 354	-	-	(68 874 061)	222 914 774	1 390 181 007	-	1 390 181 007
Amounts transferred to carried forward lossess		-	-	-	-	-	222 914 774	(222 914 774)	-	-	-
Set aside amount for incentive& bonus plan during the period	(28)	-	-	-	-	3 750 000	-	-	3 750 000	-	3 750 000
Net profit for the period	(46)	-	-	-	-	-	-	58 423 556	58 423 556	(434 739)	57 988 817
Balance as at March 31, 2007		269 133 960	134 566 980	832 439 354	-	3 750 000	154 040 713	58 423 556	1 452 354 563	(434 739)	1 451 919 824
Balance as at January 1, 2008		279 133 960	139 566 980	917 439 354	(80 000 000)	3 750 000	154 040 713	331 535 035	1 745 466 042	18 814 350	1 764 280 392
Set aside amount for incentive& bonus plan during the period	(28)	-	-	-	-	1 250 000	-	-	1 250 000	-	1 250 000
Minority interest	(23)	-	-	-	-	-	-	-	-	70 167	70 167
Net profit for the period		-	-	-	-	-	-	17 472 979	17 472 979	-	17 472 979
Balance as at March 31, 2008		279 133 960	139 566 980	917 439 354	(80 000 000)	5 000 000	154 040 713	349 008 014	1 764 189 021	18 884 517	1 783 073 538

* The accompanying notes on pages form (5) to (46) are an integral part of these consolidated financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Statement of Cash Flows
For The Financial Period Ended March 31, 2008

	Note No.	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
<u>Cash flows from operating activities</u>			
Net profit for the period before income tax		23 073 122	60 148 925
<u>Adjustments for:-</u>			
Depreciation of fixed assets & rented units		583 131	147 957
Amortization of other assets		16 153	-
Investment income form available for sale investments		-	(668 005)
Gain on sale of fixed assets		(3 065)	(87 040)
Share in profits / losses in associates		(219 024)	(149 034)
Provisions formed	(19)	2 216 094	13 658 833
Impairment loss of debtors & other debit balances		-	10 322
Other expenses		-	154 096
Equity - settled share - based payment transactions	(28):(46)	1 250 000	3 750 000
Operating profit before changes in working capital items		26 916 411	76 966 054
<u>Changes in working capital items</u>			
Change in resednital units ready for sale		-	604 493
Change in work in process		(235 293 417)	(61 483 837)
Change in trade & notes receivables		(677 419 884)	24 805 748
Change in debtors & other debit balances		172 263 368	4 528 575
Provision for completion of works - used	(19)	(2 418 041)	(11 038 430)
Change in customers deposits		725 477 659	(82 761 785)
Change in contractors , suppliers & notes payable		2 386 704	(1 405 022)
Change in creditors & other credit balances		44 182 855	61 118 266
Blocked deposits & bank accounts		12 267 848	-
Net cash used in operating activities		68 363 503	11 334 062
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets & projects under construction		(3 549 564)	(2 653 373)
Payments for acquisition of intangible assets		-	(106 090)
Payments on account of acquisition of subsidiaries		-	(300 042 443)
Payments for acquisition of held for trading investments		(18 179 782)	-
Dividends recieved from associates		-	2 691 596
Proceeds from sale of fixed assets		3 065	146 940
Net cash used in investing activites		(21 726 281)	(299 963 370)
Net movement in cash & cash equivalents during the period		46 637 222	(288 629 308)
Cash & cash equivalents as at January 1, 2008		425 310 622	793 824 441
Cash & cash equivalents as at March 31, 2008	(18)	471 947 844	505 195 133

* The accompanying notes on pages form (5) to (46) are an integral part of these consolidated financial statements and to be read therewith.

**Sixth of October for Development and Investment Company “SODIC”
(An Egyptian Joint Stock Company)
Notes to the consolidated financial statements
For the financial period ended 31 March 2008**

1. Background and activities

- Sixth of October for Development and Investment Company “SODIC” An Egyptian Joint Stock company was incorporated in accordance with the provisions of Law No. 159 of 1981 and its Executive Regulations and considering the provisions of Law No. 95 of 1992 and its Executive Regulations and by virtue of the decree of the Minister of Economy & International Cooperation No. 322 of 1996 issued on May 12, 1996. The Company was registered in Giza Governorate Commercial Registry under No. 625 on May 25, 1996.
- On April 6, 2008, The Company’s Extraordinary General Assembly agreed to add “SODIC” name to the original name of Sixth of October for Development and Investment Company to become Sixth of October for Development and Investment Company “SODIC”.
- The Company’s purpose is represented in the following:
 - Working in the field of purchasing of lands for the purpose of providing utilities for them and making them ready for building, dividing these lands and selling or leasing them.
 - Working in the field of construction, integrated construction and supplementary works for it.
 - Planning, dividing and preparing lands for building according to modern building techniques.
 - Building, selling and leasing all various kinds of real estate.
 - Developing and reclaiming lands in the urban communities.
 - Working in the field of tourist development and in all tourist establishments field including, building , managing , selling or utilizing hotels, motels and tourist villages in accordance with applicable Egyptian laws & regulations.
 - Building, managing, selling and leasing – out of the residential, service, commercial, industrial and tourist projects.
 - Importing and working as trade agents for that is permitted within the limits of the Company’s purpose.
 - Financing lease in accordance with Law No. 95 of 1995.
 - Working in all fields of information technology and systems, hardware and software (computer software & services).
 - Working in all fields of services of communication systems, internet, space stations and transmission except for the field of satellites.
 - Investing in the various activities related to petroleum, gas and petrochemicals.
 - Working in the field of coordinating and planting the gardens, roads and squares and also providing security, steward - ship, maintenance and cleaning services.
 - Working in the field of ownership and management of sporting, entertainment, medical, educational buildings and also ownership, management and operating of restaurants (not leasing them).

In addition, the Company may have interest or participate in any manner whatsoever with companies or others which have similar activities or which may assist it to achieve its purposes in Egypt or abroad.

Also it is entitled to merge into or acquire these companies or make them its subsidiaries in accordance with the provisions of law and its executive regulations.

- The Company's duration is 50 years starting from the date of registration in the Commercial Registry.
- The Parent Company is listed in the formal listing in Cairo & Alexandria Stock Exchange.
- The consolidated financial statements of Sixth of October for Development Investment Company "SODIC" (the Parent Company) for the financial period ended March 31, 2008 comprise the financial statements of the Company and its subsidiaries, SODIC Property Services Company, Sixth of October for Development & Real Estate Projects Company "SOREAL", Beverly Hills for Management of Cities and Resorts Co. & Egyptian Company for Investment and Real Estate & Tourist Development (together referred to as the "Group") and the Group's interest in associates.
- The registered office of the Parent Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City, Cairo, Egypt. Mr. Mohamed Magdy Rasekh is the Chairman of the Parent Company.

2. Basis of preparation

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.

b. Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for the following assets and liabilities:

- Available for sale investments which are stated at fair values.
- Liabilities for cash settled share - based payments transactions which are stated at fair values.

c. Functional currency and presentation currency

The consolidated financial statements are presented in Egyptian Pound which is the Group's functional currency.

d. Use of estimates and judgments

- The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

- The estimates and underlying assumptions are reviewed on an going basis.
- Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:-

3.1 Basis of consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries are represented in the following:-

<u>Subsidiary name</u>	<u>Contribution ratio</u>	<u>Nature of activity</u>
SODIC Property Services Co. - S.A.E	51%	Marketing of real estate, real estate brokerage and investment property services in general, providing maintenance services for villas, flats, buildings, managerial units, infra structure and common areas, cleaning & house keeping services, setting security programs and stewardship for establishments, designing, mowing, flowering of gardens and private & public areas, playgrounds and others and also providing all types of consultancy services (except legal services).
Sixth of October for Development & Real Estate Projects Company "SOREAL" – S.A.E	99.99%	Establishing or operating and managing sewerage plants or industrial sewage, purification and its connections, establishing, managing, operating and maintaining power plants, and their distribution networks, building, running , utilizing and maintaining freeways, highways and main roads, establishing or operating and managing the wire and wireless communication stations, housing projects whose entire units are rented on unfurnished basis for purpose other than administrative housing provided that the number of units are not less than 50 housing units, hotels, motels, hotel flats and suites, tourist village, supplementary or related activities including services, entertainment, sports, commercial, cultural activities, as well as completion of the buildings related thereto and expanding them, in addition to financial leasing, real estate investment, lands development within the city perimeter by carrying out construction projects on them, and selling them as residential units, villas or for administrative, commercial and entertaining purposes.

Beverly Hills for Management of Cities & Resorts Co. – S.A.E *	52.31%	Management and maintenance of buildings , establishments of all different type , utilities & roads and provision of services of security for establishments , internal steward –ship only , cleaning , transport except air transport and transportations and working in the field of coordinating , maintenance , lightening , beautification of gardens, roads and squares and ownership of billboards including electronic boards and re-selling , leasing out and utilising them on commercially basis and conducting export works and financing lease in accordance with Finance Lease Law and working in the field of tourist development & entertainment activities and building , management and operation of entertainment , cultural centers and all type of restaurants , cafeterias & commercial shops and working in the field of designs , internal decorations and supplying of its related fixtures , linen & furniture.
Egyptian Co. for Investment and Real Estate & Tourist Development – S.A.E **	50%	Working in the field of purchasing of lands for the purpose of providing utilities for them and making them ready for building, dividing these lands and selling or leasing them either in the new urban communities or other and working in the field of construction, integrated construction and supplementary works for it and planning, dividing and preparing lands for building according to modern building techniques and developing and reclaiming lands in the urban communities (in more than one thousand feddens and not exceeding twenty thousand feddens) and working in the field of tourist development and in all tourist establishments field including, building , managing , selling or utilizing hotels, motels and tourist villages in accordance with applicable Egyptian laws & regulations and building, managing, selling and leasing – out of the residential, service, commercial, industrial and tourist projects and also building of industrial projects buildings and importing and working as trade agents for that is permitted within the limits of the Company's purpose and financing lease in accordance with Law No. 95 of 1995 and working in all fields of information technology and systems, hardware and software (computer software & services) and working in all fields of services of communication systems, internet , and companies and investing in the various activities related to petroleum, gas and petrochemicals and working in the field of coordinating and planting the gardens, roads and squares and also providing security, steward - ship, maintenance and cleaning services and working in the field of ownership and management of sporting, entertainment, medical, educational buildings and also ownership, management and operating of restaurants .

* The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 71% which includes 18.69% represents transitory shares are currently in the name of the Company and the title of these shares will be transferred to the real shareholders (Owners of the units).

- ** Egyptian Co. for Investment and Real Estate & Tourist Development was established on January 27, 2008 in conjunction with some of the board members and their owned companies.

3.1.2 Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

3.1.3 Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Egyptian Pound at the foreign exchange rate in effect at that date. Foreign exchange differences arising on translation are recognized in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of the transaction.

3.3 Fixed assets & depreciation

a. Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation (note No. 3-3-c) and impairment losses (note No. 3-12).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

b. Subsequent costs

The Company recognizes in the carrying amount of an item of Property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

c. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of property, plant and equipment. The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Buildings of the Parent Company's premises	10
Vehicles	5
Furniture & fixtures	4-10
Office & communications equipment	5
Generators , machinery & equipment	2-5
Leasehold improvements	Lesser of 5 years or lease term

3.4 Intangible assets

3.4.1 Goodwill

Goodwill represents the excess of the cost of acquisition over the Parent Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is stated at cost less any accumulated impairment losses. Impairment of goodwill is not reversed subsequently. When the excess is negative (negative goodwill) it is recognized immediately in the income statement.

3.4.2 Other intangible assets

a. Recognition

Identifiable non-monetary assets acquired for business purposes and from which future benefits are expected to flow are treated as tangible assets. Intangible assets consist of trademarks & softwares.

b. Measurement

Intangible assets are measured at cost, being the cash price at recognition date. If payment is deferred beyond the normal credit terms the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit. Intangible assets are presented net of amortization (note No. 3-4-2-d) and impairment (note No.3-12).

c. Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

d. Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Intangible assets are amortized from the date they are available for use. The estimated useful lives of these intangible assets range between 2 to 7 years.

3.5 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Projects under construction are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

3.6 Investment property

This item includes lands held and not allocated for a specific purpose, or lands held for sale for long periods as well as the lands and buildings leased to others (by virtue of operating leases). The long term real estate investments are valued at cost less the accumulated depreciation and the value of any increase in the net book value of these investments over their recoverable amount "impairment". The fair value of these investments shall be disclosed at the consolidated statement of financial position date unless if there are cases where the fair value of these investments are difficult to be determined in a reliable manner. In this case disclosure shall be made to this effect.

3.7 Investments

a. Available for sale investments

Financial instruments held by the Company are classified as being available-for-sale and are generally stated at fair value (except investments in unquoted equity securities), with any resultant gain or loss being recognized directly in equity, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in consolidated income statement. Investments in unquoted equity securities are stated at cost less impairment losses (note No. 3-12).

Financial instruments classified as available-for-sale investments are recognized / derecognized by the Company on the date it commits to purchase / sell the investments.

b. Investments in treasury bills

Treasury bills discountable at the Central Bank of Egypt are stated at nominal value and the unearned interests are recorded under creditors and other credit balance account. Treasury bills are shown in the consolidated financial position at their nominal value less the balance of unearned interests.

c. Held for trading investments

Held for trading investments are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement.

3.8 Residential units ready for sale

Residential units ready for sale are stated at the balance sheet date at lower of cost or net releasable value. The cost is determined based on the outcome of multiplying of the total area of the remaining completed residential units ready for sale at the consolidated statement of financial position date by the average meter cost of these units (represents the cost of meter of land, utilities, building and other indirect expenses).

3.9 Work in process

All expenditures directly attributable to works in process are included in work in process account till the completion of these works. They are transferred to completed residential units ready for sale caption when they are completed. Works in process are stated at the consolidated statement of financial position date at lower of cost and net realizable value.

3.10 Trade and other receivables

Trade, notes and other receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate of doubtful debts is made when collections of the full amount is no longer probable. Bad debts are written off when identified. Other debit balances are stated at cost less impairment losses (note No. 3-12). Long term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using effective interest rate method.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand time deposits, investments in treasury bills which have maturity date less than three months from the purchase date. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Impairment

a. Financial assets

- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
- An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
- An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.
- Individually significant financial assets are tested for impairment on an individual basis.
- The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
- All impairment losses are recognized in consolidated income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to consolidated income statement.
- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in consolidated income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

b. Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories of residential units ready for sale and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the consolidated income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of other assets, impairment losses recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized

3.13 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Provision for completion of works

A provision for completion of works is formed at the estimated value of the completion of the projects' utility works (pertaining to the units delivered to customers and the completed units according to the contractual terms and conditions and the completed units for which contracts were not concluded) in their final form as determined by the Company's engineering department. The necessary provision is reviewed at the end of each reporting period till finalization of all the project works.

3.14 Borrowing costs

Borrowing costs are recognized as expense in the income statement when incurred.

3.15 Trade, contractors and other credit balances

Trade, contractors and other credit balances are stated at cost.

3.16 Share capital

a. Ordinary shares

Incremental costs directly attributable to issue of new ordinary shares are recognized as a deduction from equity net of income tax – if any.

b. Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a change in equity.

c. Dividends

Dividends are recognized as a liability in the period in which they are declared.

d. Finance of the incentive and bonus plan

Financing of the shares issued for the purpose of the incentive and bonus plan of the Company's employees & managers which are kept in a bank which works as a trustee (agent) are presented as treasury shares until the terms of granting the shares to the beneficiaries are realized. The resulting outcome from sale of these shares is recognized in equity.

3.17 Share – based payments transactions

a. Equity – settled share – based payments

The difference between the grant date fair value of shares and the amount incurred by the beneficiary of the employees & managers bonus & incentive plan is recognized in the income statement over the period that the beneficiaries become unconditionally entitled to these shares. The expected number of beneficiaries from the plan and the extent of their benefit are reviewed at the consolidated financial statements date. Necessary changes are made for the expense to reflect the best estimate and the corresponding amount is included in equity under "set aside amount for the bonus & incentive plan" caption.

b. Cash settled share - based payments

Share Appreciation Rights are granted to some of the Company's directors as part of their salaries and compensation package that entitles them to future cash payments based on the increase in the share price of the Company over determined level for certain period of time .The amount or the value of the purchased services and incurred liabilities is measured at the fair value of the said liability and until the settlement of such liability , the Company re-measures the fair value of the liability at the consolidated financial statements date and at settlement date and takes into account any changes in the recognized fair value of the liability in the income statement.

3.18 Long-term notes payable

Long-term notes payable are stated at amortized cost using the effective interest rate method.

3.19 Revenue recognition

a. Sales revenue

Revenue from sale of residential units, offices, commercial shops, service and villas for which contracts was made is recorded when all the ownership risks and rewards are transferred to customers and upon the actual delivery of these villas and units whether the said villas and units have been completed or semi – completed. Revenue from sale of lands is recorded upon the delivery of the sold land to customers and the transfer of all the ownership rewards and risks to buyer.

Net sales are represented in the selling value of units and lands delivered to customers after excluding the future interests that have not been realized till the balance sheet date and after deducting the value of sales returns (represented in the saleable value of the sales returns less unrealized interests that have been previously excluded from the saleable value).

b. Rental income

Rental income is recognized in the consolidated income statement on a straight-line basis over the terms of the lease.

c. Interest income

Interest income is recognized in the consolidated income statement, using the effective interest method.

d. Commission revenue

Commission revenue is recognized in consolidated income statement according to the accrual basis of accounting.

e. Dividends

Dividends income is recognized in the consolidated income statement on the date the Company's right to receive payments is established.

3.20 Cost of sold lands

The cost of sold lands is computed based on the value of the net area of land in addition to its respective share in road areas as determined by the Company's technical management, plus its share in the open area.

3.21 Expenses

a. Lease payments

Payments under leases are recognized in the consolidated income statement on a straight-line basis over the terms of the lease.

b. Interest expense

Interest expense on interest-bearing borrowings is recognized in the consolidated income statement using the effective interest rate method.

c. Employees' pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law No. 79 of 1975 and its amendment. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to consolidated income statement using the accrual basis of accounting

d. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured using tax rates enacted or substantively enacted at the consolidated balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.22 Earnings per share

Earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.23 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.1 Fixed assets

The fair value of fixed assets recognized as a result of a business combination is based on market values. The market value of fixed assets is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgeably, prudently and without compulsion.

4.2 Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

4.3 Investments in equity instruments

The fair value of Held for trading investments and available -for- sale investment is determined by reference to market value declared to these shares in stock market at the financial statement date.

4.4 Trade, note receivables & other debtors

The fair value of trade, note receivable & other debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the financial statement date.

4.5 Investment property

The present value are based on market values, being the estimated amount for which property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper market wherein the parties had each acted knowledgeably , prudently and without compulsion.

4.6 Share – based payment transactions

The fair value is determined by reference to market value declared at the statement of financial position date without deducting the cost related to transactions.

5. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group management of capital .Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board also identifies and analyzes the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

5.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's customers and other receivables.

Trade & other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry has less influence on credit risk.

Approximately 100 percent of the Group's revenues is attributable to sales transaction with a vast group of customers. Therefore, geographically, there is no concentration of credit risk.

The Group's management has established a credit policy under which each customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company gets advance payments and cheques for the full sales in advance and before the delivery of units to customers. No previous losses were observed from transactions with customers.

Sales of residential units are made subject to retention of title clauses and the ownership title is transferred after collection of the full sales value. In the event of non-payment, the unit is returned to the Company and the amounts collected from customers are repaid at the default date after deducting a 5% of this value.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and the Company's management does not expect any counterparties to fail to meet its obligations.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At March 31, 2008, no guarantees were outstanding.

5.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due , under both normal and stressed conditions , without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for appropriate period of time including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

5.4 Currency risk

The Group is exposed to currency risk on sales and financial assets that are denominated in a currency other than the respective functional currencies of Company entities, primarily the US dollar.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short- term imbalances.

The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

5.5 Interest rate risk

The Group has not obtained loans or borrowings from others that exposed it to interest rate risk. Therefore, the Group does not enter into interest rate swaps.

5.6 Other market price risk

Equity price risk arises from available-for-sale equity securities and management of the Group monitors the mix of equity securities in its investment portfolio based on market indices or an objective valuation of the financial statements related to these shares.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Company' Board of Directors.

The primary goal of the Company's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard.

In accordance with this strategy certain investments are designated at held for trading because their performance is actively monitored and they are managed on a fair value basis.

5.7 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors of the Parent Company monitors the return on capital, which the Company defines as net operating revenue divided by total shareholders equity. The Board of Directors of the Parent Company also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

Sixth of October for Development and Investment Company "SODIC"

"An Egyptian Joint Stock Company"

Notes to the consolidated financial statements (Cont.)

*For the financial period ended March 31, 2008***6- Fixed assets**

This item is represented as follows:-

	<u>Lands</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Furniture & fixtures</u>	<u>Office equipment & communications</u>	<u>Generators, machinery & equipment</u>	<u>Total</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<u>Cost</u>							
As at January 1, 2008	2 702 683	3 441 758	4 271 794	2 601 664	2 510 246	1 608 873	17 137 018
Additions during the period	-	195 167	326 500	110 235	677 335	780 939	2 090 176
Disposals during the period	-	-	(4 800)	-	(33 254)	-	(38 054)
As at March 31, 2008	<u>2 702 683</u>	<u>3 636 925</u>	<u>4 593 494</u>	<u>2 711 899</u>	<u>3 154 327</u>	<u>2 389 812</u>	<u>19 189 140</u>
<u>Accumulated depreciation</u>							
As at January 1, 2008	-	1 033 907	1 004 776	601 353	1 320 827	909 301	4 870 164
Depreciation for the period	-	59 752	228 886	134 816	102 200	49 821	575 475
Disposals	-	-	(4 800)	-	(33 254)	-	(38 054)
As at March 31, 2008	<u>-</u>	<u>1 093 659</u>	<u>1 228 862</u>	<u>736 169</u>	<u>1 389 773</u>	<u>959 122</u>	<u>5 407 585</u>
Net book value as at March 31, 2008	<u>2 702 683</u>	<u>2 543 266</u>	<u>3 364 632</u>	<u>1 975 730</u>	<u>1 764 554</u>	<u>1 430 690</u>	<u>13 781 555</u>
Net book value as at December 31, 2007	<u>2 702 683</u>	<u>2 407 851</u>	<u>3 267 018</u>	<u>2 000 311</u>	<u>1 189 419</u>	<u>699 572</u>	<u>12 266 854</u>

This item includes fully depreciated assets of L.E 2 607 680 as at 31 March 2008.

7. Intangible assets

This item is represented as follows:

	Cost as at 1/1/2008	Accumulated amortization as at 1/1/2008	Amortization of the period	Cost as at 31/3/2008
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Coldwell Banker trademarks *	314 600	-	7 865	306 735
Softwares	106 090	39 783	8 288	58 019
	<u>420 690</u>	<u>39 783</u>	<u>16 153</u>	<u>364 754</u>

- * Represents the amount paid in accordance with agreement concluded with Betna for Investment & Marketing of Real Estate Co. for the license of utilizing Coldwell Bankers trademark effective from 1 January 2008 and for a seven year period.

8. Projects under construction

This item is represented as follows:

	31/3/2008	31/12/2007
	<u>L.E</u>	<u>L.E</u>
Beverly Hills club	20 237 533	19 608 259
Fixtures in the administrative premises	465 273	204 368
Land of the services compound	849 851	-
Advance payments for purchasing of machinery and equipment	896 470	1 333 826
Advance payments for fixtures	923 598	766 884
	<u>23 372 725</u>	<u>21 913 337</u>

9. Investments in associates

This Group has the following investments in associates:

	<u>Ownership ratio</u>		<u>Carrying amount</u>	
	31/3/2008	31/12/2007	31/3/2008	31/12/2007
	<u>%</u>	<u>%</u>	<u>L.E</u>	<u>L.E</u>
Rabyia for Agricultural & Urban Development Co. – S.A.E	26	26	2 853 088	2 634 064
Royal Gardens for Investment Property Co. – S.A.E *	20	20	-	-
			<u>2 853 088</u>	<u>2 634 064</u>

Summary financial information on associates – 100 per cent:-

	Assets <u>L.E</u>	Liabilities <u>L.E</u>	Equity <u>L.E</u>	Revenues <u>L.E</u>	Expenses <u>L.E</u>
<u>Rabyia for Agricultural & Urban Development Co.</u>					
December 31, 2007	23 858 564	13 726 548	10 132 016	17 536 023	15 085 344
March 31, 2008	<u>21 114 143</u>	<u>10 140 728</u>	<u>10 973 415</u>	<u>5 624 669</u>	<u>4 783 269</u>
<u>Royal Gardens for Investment Property Co.</u>					
December 31, 2007	235 308 495	236 425 876	(1 117 381)	1 310 323	17 427 704
March 31, 2008	<u>330 023 530</u>	<u>331 298 916</u>	<u>(1 275 386)</u>	<u>1 157 646</u>	<u>1 315 651</u>

- * Royal Gardens for Investment Property Co. was established on December 6, 2006 in conjunction with Palm Hills and other shareholders. The cost of investment amounted to L.E 3 million represents 50 % of the Parent Company's participation in the share capital of Royal Gardens Co. The Parent Company share in the unrealized gain resulted from the sale of land made by the Parent Company to its associate during 2007 amounted to L.E 32 298 112 out of which only L.E 3 million was eliminated to the extent of the Parent Company's interest in the associate when preparing the consolidated financial statements.

Nonetheless, the Parent Company's share in the associates' losses was not charged to the consolidated income statement with an amount of L.E 3 227 077 till March 31, 2008 due to the lack of any book value of the investment balance in the consolidated financial statement as at March 31, 2008.

10. Available for sale investments

This item is represented as follows:

	<u>Legal form</u>	<u>Ownership</u> %	<u>Paid amount of participation</u> %	<u>Carrying amount as at 31/3/2008</u> <u>L.E</u>	<u>Carrying amount as at 31/12/2007</u> <u>L.E</u>
Egyptian Company for Development & Management of Smart Villages	S.A.E	1.8	100	4 250 000	4 250 000
				<u>4 250 000</u>	<u>4 250 000</u>

- Exposure to market risk related to available-for-sale investments is considered to be limited since these investments represent equity instruments that are not traded in an active market and are denominated in Egyptian Pound.

11. Investment property

This item is represented as follows:

	<u>31/3/2008</u> <u>L.E</u>	<u>31/12/2007</u> <u>L.E</u>
Carrying amount of completed residential units leased out to others *	1 491 447	1 499 103
(net of accumulated depreciation of L.E 39 767)		
Balance as at March 31, 2008	<u>1 491 447</u>	<u>1 499 103</u>

- * The fair value of completed residential units leased out for others as at March 31, 2008 amounts to L.E 4 283 112 (an amount of L.E 4 283 112 as at December 31, 2007).

12. Long - term trade & notes receivables

This item is represented in the amortized cost of trade & notes receivables using the effective interest rate as follows:-

	31/3/2008 <u>L.E</u>	31/12/2007 <u>L.E</u>
Trade receivables	131 039 818	148 097 721
Notes receivable	687 002 382	247 290 431
	<u>818 042 200</u>	<u>395 388 152</u>
<u>Deduct:</u>		
Discount on trade & notes receivable	74 625 590	57 829 622
	<u>743 416 610</u>	<u>337 558 530</u>

- The Group's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note No.(41).

13. Completed residential units ready for sale

This item consists of the cost of the completed residential units ready for sale in the first phase of the project and is represented as follows:

	31/3/2008 <u>L.E</u>	31/12/2007 <u>L.E</u>
Cost of completed commercial units in 3/A area	383 342	383 342
Cost of completed commercial units in 3/B area	496 736	496 736
	<u>880 078</u>	<u>880 078</u>

14. Works in process

This item consists of the total costs related to works currently being undertaken. Details of these works are as follows:

	31/3/2008 <u>L.E</u>	31/12/2007 <u>L.E</u>
<u>Company's land intended for use in Allegria project</u>		
Cost of the Company's land intended for use *	283 460 848	85 139 111
Planning , survey , supervision & soil researches	104 412 635	81 360 843
	<u>387 873 483</u>	<u>166 499 954</u>
<u>Cost of the fourth phase (4A & 4B), exhibitions & others</u>		
Cost of land	46 730 655	47 991 618
Planning , survey , supervision & soil researches	9 387 467	6 813 857
Building & utilities	33 408 850	33 461 277
Cost of land of Dahshor' showrooms	23 247 486	23 247 486
A plot of land in the Fifth Community (plot No. 1)	76 292 642	76 292 642
Expenses related to plot of land No. 1	4 479 315	1 971 266
A plot of land in the Fifth Community (plot No. 2)	519 494 158	519 494 158
Expenses related to plot of land No. 2	5 130 823	150 776
Buildings & constructions	11 520 189	6 348 617
	<u>729 691 585</u>	<u>715 771 697</u>
	<u>1 117 565 068</u>	<u>882 271 651</u>

* The master plan of Allegria project was approved by the New Urban Communities Authority on January 14, 2008.

(1) Plot No. (1)

The fair value of the vacant plot of land owned by Sixth of October for Development & Real Estate Projects Company "SOREAL", subsidiary Company in the Investors Zone, plot No. (24 a) with a an area of 30 feddens that is equivalent to 125 993.55 square meter according to the handover minute, dated November 9, 2006 located at the communities east to the Ring Road, (New Cairo City), the land ownership was transferred to the Company by virtue of the assignment given by Picorp Holding (the main shareholder), and a decision was issued by the Main Real Estate Committee in its session No.37 dated 13/8/2006 concerning the approval of the said assignment.

(2) Plot No. (2)

The fair value of the vacant plot of land owned by Sixth of October for Development & Real Estate Projects Company "SOREAL" a subsidiary Co with an area of 204.277 feddens that is equivalent to 857 963.40 square meter, according to the handover minute dated November 7, 2006 located in the Future Extension of New Cairo City, the ownership of the land was transferred to the Company by virtue of the assignment given by Picorp Holding Company (the main shareholder) to the subsidiary Company, the Main Real Estate Committee issued its decision concerning the approval of the said assignment in its session No. 37 dated August 13, 2006.

15. Trade & notes receivable

	31/3/2008	31/12/2007
	<u>L.E</u>	<u>L.E</u>
Trade receivable	85 345 455	45 392 015
Notes receivable	<u>375 421 532</u>	<u>138 661 232</u>
	460 766 987	184 053 247
<u>Deduct:</u>		
Discount on trade & notes receivable	<u>11 655 268</u>	<u>6 503 332</u>
	449 111 719	177 549 915
Impairment loss of trade & notes receivables	<u>(200 000)</u>	<u>(200 000)</u>
	<u>448 911 719</u>	<u>177 349 915</u>

- The Company's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note No. (41).

16. Debtors & other debit balances

	31/3/2008	31/12/2007
	<u>L.E</u>	<u>L.E</u>
Contractors & suppliers – advance payments	42 310 998	31 129 641
Interests receivable	986 066	1 049 388
Accrued investment income	811 055	-
Prepaid expenses	11 541 831	9 258 746
Deposits with others	333 429	285 228
Tax Authority	437 924	382 940
Due from Royal Gardens Co.	1 245 783	350 000
Payments for the purchase of new lands	-	188 033 735
Restricted cash – bonus & incentive plan *	30 870 079	30 326 079
Other debit balances	<u>881 877</u>	<u>866 653</u>
	89 419 042	261 682 410
Impairment loss of debtors & other debit balances	<u>(355 157)</u>	<u>(355 157)</u>
	<u>89 063 885</u>	<u>261 327 253</u>

* This item represents the restricted cash amount resulting from the exercise of the beneficiaries from the bonus and incentive plan for sale of 200 thousand shares during

December 2007. The restricted cash will be released to beneficiaries upon the completion of the prohibition period which will be ended on March 31, 2008 in accordance with the bonus & incentive plan. The corresponding amount is included in creditors and other credit balances under "Amounts due to beneficiaries from the bonus & incentive plan" caption in note No. (22).

- The Company's exposure to credit & currency risks related to other debtors is disclosed in note No.(41).

17. Held for trading investments

	31/3/2008	31/12/2007
	<u>L.E</u>	<u>L.E</u>
Investment instruments – Themar Fund	95 850 396	77 670 614
	<u>95 850 396</u>	<u>77 670 614</u>

- The Group's exposure to market risk related to held for trading investments is disclosed in note No. (41).

18. Cash at banks & on hand

	31/3/2008	31/12/2007
	<u>L.E</u>	<u>L.E</u>
Bank - time deposits *	348 736 000	271 960 000
Saving certificates (3 year maturity)	-	16 025 000
Bank - current accounts	137 592 122	141 421 804
Bank - blocked accounts **	13 104 385	25 372 233
Checks under collection	1 482 185	12 232 071
Cash on hand	1 163 610	241 688
	<u>502 078 302</u>	<u>467 252 796</u>

- * This item includes an amount of L.E 500 000 representing in blocked deposit as guarantee for the facility agreement granted from a bank.

- ** This item represents the bank account which earns interest income on daily basis placed and kept at Banque Misr. The use of this account is not allowable unless an official letter issued & approved by the Urban Communities Authority according to the agreement with the Urban Authority in this regard.

- For the purpose of preparing the consolidated statement of cash flows, cash & cash equivalents item is represented as follows:

	31/3/2008	31/12/2007
	<u>L.E</u>	<u>L.E</u>
Cash at banks & on hand	502 078 302	467 252 796
<u>Less:</u>		
Saving certificates (3 year maturity)	16 025 000	16 025 000
Blocked accounts	13 604 385	25 872 233
Bank - credit balances	501 073	44 941
Cash & cash equivalents in the statement of cash flows	<u>471 947 844</u>	<u>425 310 622</u>

- The Group's exposure to interest rate risk & sensitivity analysis for financial assets is disclosed in note No.(41).

19. Provisions

Movement on provisions during the period is represented as follows:-

	Balance as at 1/1/2008 <u>L.E</u>	Provision formed during the period <u>L.E</u>	Provision used during the period <u>L.E</u>	Balance as at 31/3/2008 <u>L.E</u>
Provision for completion of works*	64 109 776	2 065 920	(2 418 041)	63 757 655
Provision for claims **	3 776 800	150 174	-	3 926 974
	<u>67 886 576</u>	<u>2 216 094</u>	<u>(2 418 041)</u>	<u>67 684 629</u>

* This provision is formed for the estimated costs to complete the execution of the delivered works and expected to be incurred and finalized during the year.

** This provision is formed for probable taxes, lawsuits and some other expected liabilities.

20. Customers – deposits

This item consists of the deposits for booking and contracting of units not ready for delivery yet and is represented as follows:

	31/3/2008 <u>L.E</u>	31/12/2007 <u>L.E</u>
Land deposits – (Fourth area)	785 804	1 861 380
Deposits for booking , contracting & installments of residential units (Fourth area)	4 023 106	6 000 324
Deposits for booking , contracting & installments of villas (Fourth area)	946 720	1 764 300
Deposits – Allegria project	839 210 004	109 861 971
	<u>844 965 634</u>	<u>119 487 975</u>

21. Contractors, suppliers & notes payable

	31/3/2008 <u>L.E</u>	31/12/2007 <u>L.E</u>
Contractors	8 481 266	5 961 257
Suppliers	4 637 988	5 519 689
Notes payable	13 900	55 432
	<u>13 133 154</u>	<u>11 536 378</u>

- The Company's exposure to currency & liquidity risks related to contractors & suppliers is disclosed in note No. (41).

22. Creditors & other credit balances

	31/3/2008 <u>L.E</u>	31/12/2007 <u>L.E</u>
New Urban Communities Authority *	13 507 278	13 043 478
Land purchase creditors – SOREAL **	41 950 000	41 950 000
Amounts collected on account of management, operation & maintenance of Allegria project	18 601 858	-
Accrued expenses	33 821 397	14 615 365
Due to Beverly Hills Co. for Management of Cities & Resorts	8 208 194	8 064 653
Liability for cash settled share-based payments transactions– Executive directors ***	3 639 692	1 801 715
Amounts due to the beneficiaries from the incentive & bonus plan****	30 870 079	30 326 079
Customers – credit balances	2 354 100	1 158 784
Tax Authority	14 580 649	9 058 445
Accrued royalty & trademark – Coldwell Banker	-	374 284
Accrued Commissions due to Coldwell Banker	864 640	48 983
Accrued compensated absence	379 109	555 158
Amount due to Rabyia for Agricultural & Urban Development Co.	48 815	78 381
Deposits collected from customers	4 986 744	4 323 405
Sundry creditors	10 292 535	8 846 372
	<u>184 105 090</u>	<u>134 245 102</u>

* This amount is represented in the present value of the amount related to the assignment of an area of one million meter of land according to a claim received from New Urban Communities Authority of L.E 15 million on 19/9/2005 and due on 30/12/2008 after excluding the amortization of discount related to this assignment.

** This balance is represented in the third installment due to New Urban Communities Authority – New Cairo City Organization –of the open plot of land with an area of 204.277 feddens (plot No. 2) located in the Future Extension Area of New Cairo City in which its payment is due on 1/1/2008. This amount has not been paid yet because of not completing the utilities work of the land.

*** Represent the amount due to some of the executive board of directors of the Parent Company as detailed in note No. (35).

**** This item represents the amounts due to the beneficiaries from the incentive & bonus plan until the completion of the prohibition period as stated in note No. (16) above.

- The Group's exposure to currency & liquidity risks related to creditors is disclosed in note No. (41).

23. Minority interest

Minority interest balance as at 31 March 2008 represents the minority interest' shares in subsidiary's equity as follows:

	<u>Minority interest</u>	<u>Minority share in profit (losses) for the period</u>	<u>Minority share in equity excluding profits (losses) for the period</u>	<u>Minority interest as at 31/3/2008</u>	<u>Minority interest as at 31/12/2007</u>
	%	L.E	L.E	L.E	L.E
SODIC Property Services Co.	49	883 522	363 803	1 247 325	363 803
Sixth of October for Development & Real Estate Projects Co. "SOREAL"	0.01	13	46 594	46 607	46 594
Beverly Hills for Management of Cities & Resorts Co.	47.69	11 956	12 153 953	12 165 909	12 153 953
Egyptian Co. for Investment and Real Estate & Tourist Development	50	(825 324)	6 250 000	5 424 676	6 250 000
		<u>70 167</u>	<u>18 814 350</u>	<u>18 884 517</u>	<u>18 814 350</u>

24. Share capital

- a - The Parent Company's authorized capital was determined at L.E 500 million (five hundred million Egyptian pounds).
- b - The Parent Company's issued share capital before the increase amounted to L.E 167 981 070 (only hundred sixty seven million nine hundred eighty one thousand and seventy Egyptian Pounds) distributed over 16 798 107 shares at a par value of L.E 10 per share fully paid , and annotation was made in the Parent Company's Commercial Registry to this effect.
- c - On July 10, 2003, the Parent Company's Extraordinary General Assembly Meeting decided to reduce the Parent Company's issued capital with an amount of L.E 8 134 750 (eight million hundred thirty four thousand seven hundred and fifty Egyptian Pounds) representing the par value of the treasury shares – according to article 48 of law No. 159 Of 1981 to L.E 159 846 320 (hundred fifty nine million eight hundred forty six thousand and three hundred and twenty Egyptian Pounds) distributed over 15 984 632 shares (fifteen million nine hundred eighty four thousand six hundred and thirty two shares). Capital Market Authority issued its letter No. 6610 on 9 October 2003 approving the reduction of the Parent Company's issued capital, and annotation was made in the Parent Company's Commercial Registry to this effect.
- d - On October 16, 2006, the Parent Company's Extraordinary General Assembly Meeting has unanimously decided to:

- Approve the Parent Company's board of directors resolution made on 10/9/2006 regarding the increase in the issued capital through offering 9 million shares to new shareholders in a private placement and increasing the shares offered in the private placement with 2 million to be allocated to the original shareholders with the same conditions and terms .Accordingly, the increase in the issued capital from L.E 159 846 320 to L.E 269 846 320 shall be within the limits of the authorized share capital amounting to L.E 500 million by issuing 11 million ordinary shares at a fair value of L.E 100 per share (representing a par value of L.E 10 in addition to a share premium of L.E 90) as determined by the Parent Company's and prepared according to the average share price at Cairo & Alex Stock Exchange prevailing during the two periods (a week and two months, average share price for a week and two months) prior to the date of publishing the approval of the Parent Company's board of directors on the capital increase made on 11/9/2006 .Subscription in the increase introduced to the new shareholders in a private offering shall be made as a deduction from the credit balances of these new shareholders directly paid to the Parent Company before the date of the shareholders' meeting , and the credit balances set aside in the escrow account in favor of the Parent Company as well as the credit balances that shall be transferred to the Parent Company's account within three weeks from holding the shareholders' meeting on condition that the total of those credit balances should be added to the capital participation provided that the original shareholders shall be allowed to make subscriptions in the private offering of 2 million additional shares at the same terms and conditions (2 million shares of the increase shares) within a week after the lapse of 15 days from publishing the invitations of original shareholders to make the subscriptions. In addition to the above , the shareholders meeting approved the board of directors resolution regarding the increase in the issued capital with one million shares where the board of directors of the Parent Company shall be authorized to issue these shares at the same value in order to finance the employees and managers incentive and bonus plan.
- Approve assigning the preemption right of the original shareholders to subscribe in the issued capital increase by issuing 9 million shares to be allocated to the new shareholders, and authorize the board of directors of the Parent Company to issue one million shares allocated for the employees and managers incentive and bonus plan at a fair value of L.E 100 per share, without applying the preemption right of the original shareholders stated in the Parent Company's Articles of Association, and in light of using the credit balances to finance the purchase of 99.99 % of the Capital of Sixth of October Company for Real Estate Development and the reasons of limiting the private placement to new shareholders, as well as the Parent Company's expansion plan explained in detail at the shareholders meeting.
- An amount equivalent to L.E 900 million was collected from the new shareholders of which L.E 90 million represents the par value of the increase shares 9 million shares, and the remaining L.E 810 million represent share premium of these shares as shown in note No. (26). Annotation was made in the Parent Company's Commercial Registry on 18/12/2006.

- On 24/10/2006, convocation was made for the original shareholders to subscribe to 2 million shares at a fair value of L.E 100 per share. The amount subscribed to and paid till 20/11/2006 (the date of closing the subscription) is L.E 192 876 400 for 1 928 764 shares of which L.E 19 287 640 represents the par value of the shares subscribed to and L.E 173 588 760 represents share premium as stated in the Egyptian Gulf Bank certificate dated 26 / 11 / 2006.
- Accordingly, the Parent Company's issued capital after the increase shall become L.E 269 133 960 (only two hundred sixty nine million, hundred thirty three thousand and nine hundred sixty Egyptian Pounds) distributed over a number of 26 913 396 shares at par value of L.E 10 per share fully paid, and annotation was made in the Parent Company's Commercial Registry on 18/12 / 2006.
- On May 16, 2007 the Parent Company's board of directors decided to approve the increase of the issued capital through the issuance of one million ordinary shares in favor of and under the account of incentive & bonus thus, in line with implementing the Extraordinary General Assembly decision dated October 16, 2006. Capital Market Authority made its decision on June 28, 2007 regarding the approval of issuing the shares of the capital increase in the amount of one million ordinary nominal share with nominal value of L.E 10 for each share, and the total amount of the issuance is L.E 10 million that is fully paid in cash and equivalent to 100 % of the increase amount in addition to L.E 90 million as share premium to be transferred to the reserves, according to the certificate of Arab African International Bank's Head office as at June 5, 2007. Annotation was made in the Parent Company's Commercial Registry on 5/7/2006.

Accordingly, the issued capital of the Parent Company after the increase is amounting to L.E 279 133 960 (only two hundred seventy nine million one hundred thirty three thousands, and nine hundred and sixty Egyptian Pound) distributed over 27 913 396 cash share with nominal value of L.E 10 per share fully paid.

- On April 6, 2008, the Parent Company's Extra-ordinary General Assembly Meeting agreed the approval of the Parent Company's board of director's decision issued on August 6, 2007 regarding the increase of the Parent Company's capital with additional 500 000 shares (only five hundred thousand shares) of the Parent Company's shares to be issued on nominal value and to be allocated for the incentive and bonus plan of the Parent Company's employees, directors and non executive board members. Accordingly, the share capital will amount L.E 284 133 960 (only two hundred eighty four million one hundred thirty three thousand, and nine hundred and sixty Egyptian Pound) distributed over 28 413 396 shares and the finance of such increase will be made by utilizing the reserves with the assignment of the preemptive right of the old shareholders to subscribe in the said increase. Accordingly, the allocated shares for this plan will become 1.5 million shares instead of one million only. Necessary procedures are currently undertaken in this regard.

25. Legal reserve

According to the Parent Company's statutes, the Parent Company is required to set aside 5 % of annual net profit to form a legal reserve. This transfer to legal reserve ceases once the reserve reaches 50 % of the issued share capital. The reserve balance as at March 31, 2008 is represented as follows:-

	<u>L.E</u>
Legal reserve balance as at 1/1/2003	6 530 455
Add:	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Parent Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Parent Company's issued share capital during 2006. (note No. 24).	123 409 151
Increase of the legal reserve with part of capital increase share premium during the year 2007 with limits of half of the Parent Company's issued share capital. (note No. 24).	5 000 000
Legal reserve balance as at 31/3/2008	<u>139 566 980</u>

26. Special reserve – share premium

This balance is represented in the remaining value of capital increase share premium for a number of 11 million shares during 2006 and share premium increase of one million share for the incentive and bonus plan during 2007 after deducting the amounts that have been credited to the legal reserve, and also after deducting the issuance expenses of such increase as follows:

<u>Description</u>	<u>L.E</u>
Total value of the capital increase share premium collected during 2006	983 588 760
Deduct:	
Amounts credited to the legal reserve according to the provision of Article No. (94) of the executive regulations of law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital.	123 409 151
Total issuance expenses attributable to the issuance of the capital increase shares during 2006.	27 740 255
Balance as at 31 December 2006	<u>832 439 354</u>
Add:	
Share premium of the employees' incentive and bonus plan issued during year 2007	90 000 000
Deduct	
Amounts credited to the legal reserve according to the provision of Article No. (94) of the Executive Regulations of Law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital.	5 000 000
Balance as at 31/3/2008	<u><u>917 439 354</u></u>

27. Treasury shares

This item is represented in the amount paid by the Parent Company in return for issuing one million ordinary share with a fair value of L.E 100 per share under the account and in favor of the incentive and bonus plan of the Parent Company's employees and managers which are kept in Arab African International Bank as detailed in notes No. (24) & (46) as follows:

<u>Description</u>	<u>L.E</u>
For financing of one million shares from the incentive & bonus plan with a fair value of L.E 100 per share during year 2007.	100 000 000
<u>Deduct:</u>	
The value of 200 000 shares sold by the beneficiaries from the incentive & bonus plan during December 2007 out of which an amount of L.E 15 million was paid to the Company of L.E 75 per share.	20 000 000
Balance as at March 31, 2008	<u>80 000 000</u>

28. Set aside amount for incentive & bonus plan

The balance is represented in the remaining balance from the difference between the grant date fair value of shares and the amount incurred by the beneficiary from the incentive & bonus plan for the Parent Company's managers & employees for the shares issued during year 2007 as follows:-

<u>Description</u>	<u>L.E</u>
Represents the difference between the fair value of the shares granted to the beneficiaries from the incentive & bonus plan for one million share (allocated over 5 years) for 24 months and the agreed upon share price in accordance with the incentive & bonus plan as at March 31, 2008.	10 000 000
<u>Deduct:</u>	
The difference between the grant date fair value of the shares and the agreed upon share price in accordance with the incentive & bonus plan for 200 000 share that were sold in favor of the beneficiaries during December 2007.	5 000 000
Balance as at March 31, 2008	<u>5 000 000</u>

29. Long-term notes payable

This item is represented in the value of checks issued to New Urban Communities Authority – Sheikh Zayed City Organization. These checks are due from 12/3/2011 till 12/3/2017 as follows:

	<u>L.E</u>
Total nominal value of the issued checks	253 024 035
<u>Deduct:</u> discount on notes payable	<u>87 932 785</u>
	<u>165 091 250</u>

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note No. (41).

30. Net sales

The Group's operations are considered to fall into one broad class of business, sale of residential units and lands and hence, segmental analysis of assets and liabilities is not considered meaningful. Revenues can be analyzed as follows:

	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
Sales of villas & residential units from the first phase	-	994 528
Sales of lands	30 388 860	76 286 894
Sales of residential units & villas from the second phase	3 160 140	16 067 274
Sale of land & building of the club to Beverly Hills	-	14 500 000
	<u>33 549 000</u>	<u>107 848 696</u>

31. Cost of sales

	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
Cost of villas & residential units sold from the first phase	-	604 494
Cost of villas & residential units sold from the second phase	3 088 627	12 263 660
Cost of lands sold	3 474 626	32 888 471
Cost of land & building of the club to Beverly Hills Co.	-	6 982 215
	<u>6 563 253</u>	<u>52 738 840</u>

32. Other operating revenues

	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
Realized interest income from installments during the period	9 942 218	4 705 164
Sundry income	924 145	881 118
Provision - no longer required	25 500	-
Gain on sale of fixed assets	3 065	125 150
Consultancy , promotion & marketing services	1 991 602	488 399
Services revenues of Beverly Hills City	921 420	-
	<u>13 807 950</u>	<u>6 199 831</u>

33. Selling & marketing expenses

	For the financial period ended 31/3/2008	For the financial period ended 31/3/2007
	<u>L.E</u>	<u>L.E</u>
Salaries & wages	1 474 416	375 684
Sales commissions	2 259 960	726 048
Advertising	3 849 195	2 150 025
Market research & consultancy	368 131	517 292
Printouts & photocopy	149 472	121 312
Conferences & exhibitions	135 129	228 972
Rent	94 166	-
Others	355 362	107 126
	8 685 831	4 226 459

34. General & administrative expenses

	For the financial period ended 31/3/2008	For the financial period ended 31/3/2007
	<u>L.E</u>	<u>L.E</u>
Salaries & wages	2 472 781	1 209 088
Equity – settled share – based payments transactions *	218 750	-
Employees training & development	176 967	652 631
Professional & consultancy fees	322 701	1 005 677
Advertising	743 953	393 047
Donations	50 000	-
Maintenance of gardens	740 668	366 836
Administrative depreciation of fixed assets & rented units	485 272	147 957
Subscriptions & governmental dues	107 162	83 388
Rent	53 250	-
Others	300 432	766 749
	5 671 936	4 625 373

* This amount represents the share of the period from the difference between the grant date fair value of shares and the amount incurred by the beneficiaries from the incentive & bonus plan of the Parent Company's managers & employees.

35. Board of directors remunerations and allowances

	For the financial period ended 31/3/2008	For the financial period ended 31/3/2007
	<u>L.E</u>	<u>L.E</u>
Remunerations & bonuses *	4 875 874	741 571
Attendance & transportations allowances	10 000	14 000
Cash settled share - based payments **	1 837 977	1 765 883
Equity settled share - based payments ***	1 031 250	3 750 000
	7 755 101	6 271 454

* On April 6, 2008, the Parent Company's General Ordinary Assembly agreed to delegate the Parent Company's board of directors in determining the proper increment of the monthly remuneration of the Chairman of the Parent Company as from January 1st, 2007 in addition, to delegate the Parent Company's board in determining his bonus. This item includes an amount of L.E 3 908 750 in accordance with the Parent Company's board of directors' approval in this regard.

** On May 16, 2006, the Parent Company's board of directors decided to grant share appreciation rights to some executive board members that entitle them to future cash payments as part of their salaries & bonuses packages. The amount of the cash payment is determined based on the increase in the share price of the Parent Company from grant date until vesting date.

The terms and conditions of the grants which are settled in cash to beneficiaries are as follows:

<u>Employees entitled</u>	<u>Grant date</u>	<u>Number of shares in thousands</u>	<u>Fair value of share at grant date</u> L.E	<u>Market value of share at 31/3/2008</u> L.E	<u>Conditions</u>
Some executive board members	1/4/2006	-	75	233.83	Vested after 6 months of period from grant date (salaries)

The amount of expense charged to the consolidated income statement during the period amounted to L.E 1 837 977 and the liability balance payable amounted to L.E 3 639 692 as at March 31, 2008 that was included in creditors & other credit balances caption in the consolidated statement of financial position.

*** This item is represented in the difference between the grant date fair value of the shares granted to the board members of the Parent Company and the agreed upon share price in accordance with the incentive & bonus plan as shown in note No.(46) as follows:

- On May 16, 2006, the Parent Company's board of directors approved some other benefits to the Parent Company's managing director which are represented in granting him share appreciation rights for a number of 750 thousand of the Parent Company shares with exercise price of L.E 75 per share effective from 1/4/2006 and for five years period provided that achieving certain terms and conditions.
- On March 28, 2007, the Parent Company 's board of directors agreed on the monthly salary and the additional benefits granted to the managing director within the employees' bonus and incentive plan (note No. 46) starting from 1/4/2006.
- On September 23, 2007, the Supervisory Committee of the incentive & bonus plan of the Parent Company's employees & executive board members agreed on the allocation of 75 thousand shares to a board member as detailed in note No.(46) below. Accordingly, total shares allocated to the board of directors from the incentive & bonus plan reached 825 000 shares as at March 31, 2008.

36. Other operating expenses

	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
Services cost of Beverly Hills City	2 179 589	-
Discount for early payment	74 374	316 781
Provision for claims	-	44 250
Impairment loss of debtors & other debit balances	-	10 322
Loss on sale of fixed assets	-	38 110
	<u>2 253 963</u>	<u>409 463</u>

37. Finance income

	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
Interest income	6 641 291	10 692 021
Interest income from treasury bills	-	3 610 210
Investment income from available-for-sale investments	811 055	668 005
Unrealized gain on held for trading investments	1 742 808	-
Net foreign exchange gain	-	-
	<u>9 195 154</u>	<u>14 970 236</u>

38. Finance expenses

	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
Interest charges	141 147	29 036
Deferred interest for the assignment amount due to the Authority	463 800	403 305
Interest expense of installments of Sheikh Zayed land	769 564	-
Net foreign exchange loss	1 393 411	314 942
	<u>2 767 922</u>	<u>747 283</u>

39. Deferred tax

39.1 Deferred tax assets

	<u>31/3/2008</u>		<u>31/12/2007</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Fixed assets	-	268 073	-	270 863
Provisions	(12 942 814)	-	(13 048 447)	-
Other items	(2 000 000)	-	(1 750 000)	-
Total deferred tax asset	<u>(14 942 814)</u>	<u>268 073</u>	<u>(14 798 447)</u>	<u>270 863</u>
Net deferred tax asset	<u>(14 674 741)</u>	<u>-</u>	<u>(14 527 584)</u>	<u>-</u>

40. Earnings per share

The calculation of earnings per share at March 31, 2008 was based on the profit attributable to ordinary shareholders of the Parent Company of L.E 17 472 979 (for the financial period ended March 31, 2007: L.E 55 037 058) and a weighted average number of ordinary shares as follows:

	For the financial period ended 31/3/2008 <u>L.E</u>	For the financial period ended 31/3/2007 <u>L.E</u>
Net profit for the period	17 472 979	58 423 556
Employees' share in profit *	-	(3 386 498)
	<hr/> 17 472 979	<hr/> 55 037 058
Weighted average number of shares outstanding during the period	27 913 396	26 913 396
Earnings per share (L.E / share)	<hr/> 0.63	<hr/> 2.04

- * Earnings per share for the period has not been affected by the employees' share in profits since these dividends will be approved by the Parent Company's Ordinary General Assembly that will be held in the following year. In addition, earnings per share for the comparative period has been restated with the effect of distribution of 5.5% from the unconsolidated profits of 2007 as detailed in note No. (47).

41. Financial instruments

41.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the consolidated financial statements was:

	Note <u>No.</u>	31/3/2008 <u>L.E</u>	31/12/2007 <u>L.E</u>
Long-term trade & notes receivable	(12)	743 416 610	337 558 530
Short-term trade & notes receivable	(15)	448 911 719	177 349 915
Other debtors	(16)	89 063 885	261 327 253
Held for trading investments	(17)	95 850 396	77 670 614
Cash & cash equivalents	(18)	500 914 692	467 011 108
		<hr/> 1 878 157 302	<hr/> 1 320 917 420

41.2 Liquidity risk

The following are the contractual maturities of financial liabilities:

March 31, 2008

	<u>Carrying amount L.E</u>	<u>6 months or less L.E</u>	<u>6-12 months L.E</u>	<u>1-2 years L.E</u>	<u>2-5 years L.E</u>	<u>More than 5 years L.E</u>
Bank – credit balances	501 073	501 073	-	-	-	-
Contractors, suppliers & notes payable	13 133 154	7 081 042	2 050 444	4 001 668	-	-
Other creditors	184 105 090	128 302 868	28 295 422	8 904 942	18 601 858	-
Notes payable	165 091 250	-	-	-	71 204 780	93 886 470
	<u>362 830 567</u>	<u>135 884 983</u>	<u>30 345 866</u>	<u>12 906 610</u>	<u>89 806 638</u>	<u>93 886 470</u>

December 31, 2007

	<u>Carrying amount L.E</u>	<u>6 months or less L.E</u>	<u>6-12 months L.E</u>	<u>1-2 years L.E</u>	<u>2-5 years L.E</u>	<u>More than 5 years L.E</u>
Bank – credit balances	44 941	44 941	-	-	-	-
Contractors & suppliers	11 536 378	6 097 978	1 035 493	4 402 907	-	-
Other creditors	134 245 102	108 892 723	22 661 337	2 691 042	-	-
Notes payable	164 301 322	-	-	-	70 414 852	93 886 470
	<u>310 127 743</u>	<u>115 035 642</u>	<u>23 696 830</u>	<u>7 093 949</u>	<u>70 414 852</u>	<u>93 886 470</u>

41.3 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

<u>Description</u>	<u>31/3/2008</u>		<u>31/12/2007</u>	
	<u>L.E</u>	<u>USD</u>	<u>L.E</u>	<u>USD</u>
Cash at banks	369 120 409	24 440 789	325 210 112	25 825 942
Trade & notes receivable	1 192 328 329	-	514 908 445	-
Contractors, suppliers & notes payable	(13 133 154)	-	(11 536 378)	-
Other creditors	(172 869 776)	(2 065 315)	(129 930 297)	(784 510)
Net exposure	<u>1 375 445 808</u>	<u>22 375 474</u>	<u>698 651 882</u>	<u>25 041 432</u>

The following significant exchange average rates applied during the period:

	<u>Average rate</u>		<u>Reporting date spot rate</u>	
	<u>31/3/2008</u>	<u>31/12/2007</u>	<u>31/3/2008</u>	<u>31/12/2007</u>
USD	5.44	5.60	5.44	5.50

41.4 Sensitivity analysis

A 10 percent strengthening of the USD against the following currencies at 31 March 2008 would have increased (decreased) profit & loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates are constant. The analysis is performed on the same basis for year 2007.

	<u>Profit & loss</u>
	<u>L.E</u>
<u>March 31, 2008</u>	
USD	12 172 258
<u>December 31, 2007</u>	
USD	13 772 623

A 10 percent weakening of the USD against the above currencies at March 31, 2008 would have had the equal but the opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

41.5 Interest rate risk

At the consolidated financial statements the interest rate profile of the Group's interest bearing financial instruments was:-

	<u>Carrying amount</u>	
	<u>31/3/2008</u>	<u>31/12/2007</u>
<u>Fixed rate instruments</u>		
Financial assets	1 192 328 329	514 908 445
Financial liabilities	(179 099 601)	(177 344 800)
	<u>1 013 228 728</u>	<u>337 563 645</u>
<u>Variable rate instruments</u>		
Financial liabilities	-	-
	<u>-</u>	<u>-</u>

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the consolidated financial statements date would not affect the consolidated income statement.

41.6 Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts in the consolidated statement of financial position are as follows:

	31/3/2008		31/12/2007	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Trade & notes receivable	1 192 328 329	1 192 328 329	514 908 445	514 908 445
Cash and cash equivalents	502 078 302	502 078 302	467 252 796	467 252 796
Suppliers, Contractors & notes payable	(13 133 154)	(13 133 154)	(11 536 378)	(11 536 378)
Other creditors	(184 105 090)	(184 105 090)	(134 245 102)	(134 245 102)
Notes payable	(165 091 250)	(165 091 250)	(164 301 322)	(164 301 322)
	<u>1 332 077 137</u>	<u>1 332 077 137</u>	<u>672 078 439</u>	<u>672 078 439</u>

The basis for determining fair values is disclosed in note No.(4) above.

42. Transactions with related parties

Related parties are represented in the Parent Company' shareholders , board of directors, executive directors and companies in which they own directly or indirectly shares giving them significant influence or controls over the Group. The Parent Company made several transactions with related parties and these transactions have been done in accordance with the terms determined by the board of directors of the Parent Company. Summary of significant transactions concluded and the resulting balances at the consolidated statement of financial position date were as follows:-

a) Transactions with related parties

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>For the financial period ended 31/3/2008 Amount of transaction L.E</u>	<u>For the financial period ended 31/3/2007 Amount of transaction L.E</u>
Royal Gardens for Investment Property *	An associate	- Amount recognized from deferred interest	-	987 358
		- Amounts collected from sale of lands to Royal Gardens	-	8 820 000
Board of directors		Remunerations & bonuses of the board members (note No. 35)	7 755 101	6 271 454
		Sale of lands and residential units to some of the board members	-	19 120

b) Resulting balances from these transactions

<u>Party</u>	<u>Item as shown in the Consolidated statement of financial position</u>	<u>31/3/2008 L.E</u>	<u>31/12/2007 L.E</u>
Rabyia for Agricultural & Urban Development Co.	Contractors – advance payments	-	49 500
	Contractors & suppliers	86 929	146 629
	Creditors & other credit balances (note No. 22)	-	330 876
Royal Gardens for Investment Property	Trade & notes receivable (note No. 12 & 15)	161 315 000	167 580 000
	Liability for cash settled share – based payments transactions included in creditors & other credit balances caption (note No. 22)	3 639 692	1 801 715
Board of directors	Amounts due to the beneficiaries from bonus & incentive plan (note No. 22)	25 467 750	25 019 015

43. Tax status

43.1 The Parent Company

The Parent Company enjoyed with a tax exemption from corporate profit tax for a period of ten years starting from the next year of starting activity in accordance with law No. 59 of 1979 concerning the New Urban Communities and ended on December 31, 2007. Summary of the Parent Company's tax status at the consolidated financial statements date is as follows:

Corporate profit tax

- The Tax Authority assessed Corporate profit tax and moveable income tax for the years from 1996 till 2000 on deemed basis . The Company was notified by the tax forms and the Company has objected on such assessment and the dispute is still regarded on the Internal Committee .
- No tax inspection has been carried out for year 2001 till authorizing these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

Salary tax

- Tax inspection was carried out until 2001 and the tax claims was paid according to the assessment of the Internal Committee and the years from 2000: 2001 were inspected and the differences were taken to the internal committee. The resulting differences were paid according to the assessment of the Internal Committee in September 2004.
- The years 2002, 2003, 2004 were inspected & the Company did not receive any tax claims till authorizing these financial statements for issuance.

Withholdin tax

- Tax inspection was carried out for the previous years and also till the second quarter of 2007 & the Company did not receive any tax claims till authorizing these consolidated financial statements for issuance.

Stamp tax

Tax inspection was carried out for the previous periods and also till 30/6/2007 & the Company did not receive any tax claims till authorizing these consolidated financial statements for issuance

Sales tax

- The Company was inspected from inception till August 2003 and tax difference was paid.
- No tax inspection for the following periods has been carried out till authorizing these consolidated financial statements for issuance.

43.2 Tax status for SODIC Property Services Co.

Corporate profit tax

The Company is subject to corporate profit tax in accordance with Law No. 91 of 2005. No tax inspection has been carried out till the consolidated financial position date.

Salary tax

No tax inspection has been carried out from inception till the consolidated financial position date and the Company has not paid the taxes withheld from employees from the period from 1/1/2007 up till now.

Stamp tax

No tax inspection has been carried out from inception till the consolidated financial position date.

Withholding tax

No tax inspection has been carried out till the consolidated financial position date and the Company has not paid the taxes withheld from others from the period from 1/1/2007 up till now .

Sales tax

No tax inspection has been carried out from inception till the consolidated financial position date. The Company paid taxes till the end of October.

43.3 Tax status of Sixth of October Company for Real Estate Development Projects Co. "SOREAL"

Corporate profit tax

- The Company is exempted for a period of ten years starting from the next year of starting activity in accordance with Law No. 59 of 1979 concerning the New Urban Communities and its amendments, and Law No. 8 of 1997 concerning the Investment Guarantees and Incentives except for the activity which was added during 2006 which is subject to all kind of taxes and in which the Company is obliged to maintain separate accounts for the added activity. However, the date of starting activity has not been determined by the Investment Authority yet.
- The current income tax expense is represented in the tax due on interest income of time deposits which is taxed in a separate tax bracket in accordance with Law No. 91 of 2005.
- Years form 1998 till 2004
Tax inspection & assessment were carried out, & there are no tax liabilities due from the Company.
- Year from 2005 till 2006
No tax inspection has been carried out till authorizing these consolidated financial statements for issuance.

Salary tax

- Years form 1998 till 2004
Tax inspection was carried out & the due tax was paid in full.
- Year from 2005 till 2006
No tax inspection has been carried out till authorizing these consolidated financial statements for issuance.

Stamp tax

Years form 1998 till 2005
Tax inspection was carried out & the due tax was paid in full.

43.4 Tax status of Beverly Hills for Management of Cities & Resorts Co.

Corporate profit tax

- By virtue of the Chairman of the General Investment Authority and Free Zones' resolution No. 3492 / 2005 , the Company activities are subject to the tax exemptions mentioned in the Investment Incentives & Guarantees Law & its Executive Regulations and the decrees of the Prime Minister with respect to the exemption of the services & commercial activities which are practiced in the new urban communities for a period of ten years starting from the next year of starting activity effective from 1/10/2002 . The tax exemption has been recorded on the Company's tax card.
- No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance.

Withholding tax

Tax inspection was carried out till 31/12/2007 and there are no tax liabilities due from the Company.

Salary tax

No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance.

Sales tax

Tax inspection was carried out from inception till 31/12/2006 and the resulting differences are currently settled.

Stamp tax

No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance.

43.5 Tax status of Egyptian Company for Investment and Real Estate & Tourist Development

Corporate profit tax

The Company is subject to the provisions of Tax Law No. 91 of 2005.

44. Capital commitments

- The contracts concluded with others related to construction, utilities and site works amounted to L.E 152 777 307 (December 31, 2007: L.E 142.2 million) and the executed part of these contracts amounted to L.E 96 391 628 as at March 31, 2008 (December 31, 2007: L.E 59.84 million).
- Contributions in long – term investments that have not been requested till the consolidated statement of financial position date amounted to L.E 21.75 million approximately. (December 31, 2007: L.E 21.75 million).

45. Incentive and bonus plan of the Parent Company's employees and managers

On October 16, 2006, the Parent Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive plan of the Parent Company's employees and managers by setting it in the Parent Company's statutes according to the proposal suggested by the Parent Company's board of directors , and authorizing the Parent Company's board of directors to issue million share with a fair value of L.E 100 per share in application the incentive plan of the Parent Company's employees and managers , and appointing an independent committee for supervising the execution of this plan formed by non – executive members in the board of directors , as well as delegating the Parent Company's managing director to amend the provisions of the Parent Company's statutes and which is related to capital's increase and applying the incentive and bonus plan of the Parent Company's employees and managers.

The articles of the Parent Company 'statues were amended on 24/10/2006. Procedures and discussions are still on-going with Capital Market Authority in this regard

The following are the main features of the incentive and bonus plan of the Parent Company's employees, managers and executive board directors:

- The incentive and bonus plan works through allocation of shares for the Parent Company's employees, managers and executive board directors.
- Duration of the plan is four years starting from the date of approval of the plan by the Parent Company's Shareholders meeting and each beneficiary is allocated during this period a specified number of shares each year over the plan years according to the allocated shares outlined in the appendix of this plan.
- The price of share was determined for the beneficiary at L.E 75 per share.
- The Parent Company shall finance the issuance of the shares of the increase allocated in application of the plan and the value of shares due to the Parent Company will be paid from the proceeds of sale.
- On March 28, 2007 the board of directors of the Parent Company approved the agreement of marinating the shares of the incentive and bonus plan of employees, managers and executive board directors with Arab African International Bank. The agreement concluded between the Parent Company and Arab African International Bank was signed on 15 April 2007. As detailed in note No. (24), the shares of the plan were issued and financed by the Parent Company. Annotation of this increase was registered in the Commercial Registry on July 5, 2007.
- On September 23, 2007, the Supervisory Committee of the incentive & bonus plan of the Parent Company's employees, executive directors and managers agreed to the selection of the beneficiaries and also the number of shares allocated to each one of them. Accordingly, the whole shares of the plan were allocated in full.
- During December 2007, a number of 200 000 shares from the incentive & bonus plan were exercised with average selling price of L.E 226.63 per share. The amounts due to beneficiaries were set aside in special account held by Arab African International Bank until the completion of the prohibition period according to the incentive & bonus plan provisions.
- Procedures to increase the number of shares allocated to the plan with additional shares of 500 000 as detailed in note No. (22) above are currently undertaken.

Beneficiaries, extent & vesting conditions of granting of shares in accordance with this plan are as follows:

<u>Employees entitled</u>	<u>Grant date</u>	<u>No. of shares in thousand</u>	<u>Fair value of share at grant date</u> <u>L.E</u>	<u>Exercisin g price</u> <u>L.E</u>	<u>Conditions</u>
Managing director	28/3/2007	750	100	75	Additional benefits for 5 years working in the Company and exercise period from 31/3/2007 till 31/3/2011 – the beneficiary is not entitled to this right if the performance of the Company's share is below CASE 30 by more than 20% for 2 consecutive years during the vesting period.
Board of director	23/9/2007	75	100	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2011.
Some managers	23/9/2007	175	100	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2011

46. Comparative figures

Comparative figures of the consolidated statements of income, changes in equity and cash flows were restated by the effect of the change made in the accounting for equity – settled share – based payments transactions which were accounted for as cash settled share – based payments till September 30, 2007 and was restated at the end of 2007. Significant items affected by the restatement are listed below:

	<u>L.E</u>
Cash settled share - based payments	(11 655 000)
Set aside amount for incentive & bonus plan	3 750 000
Board of directors' remunerations	(7 905 000)
Net profit for the period	7 905 000

In addition, this change had impact on earnings per share of the comparative period as follows:

	<u>L.E</u>
Earnings per share before restatement	1.75
Earnings per share after restatement	2.04

47. Subsequent events

On April 6, 2008 the Parent Company's Ordinary General Meeting has unanimously resolved to pay dividends not exceeding a 5.5% from the unconsolidated profit for year 2007 to the Parent Company's employees only and also has delegated the Parent Company's board in the distribution to employees and in setting necessary bases in this regard.